

EXHIBIT A

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CLERK
UNITED STATES
BANKRUPTCY COURT

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF LOUISIANA
NEW ORLEANS

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IN THE MATTER OF:

THE BABCOCK & WILCOX CO., ET AL,

DEBTORS.

* * * * *

THE ASBESTOS CLAIMANTS'
COMMITTEE, ET AL,

PLAINTIFF-INTERVENORS,

VERSUS

BABCOCK & WILCOX INVESTMENT
COMPANY, ET AL,

DEFENDANTS.

* * * * *

CASE NO. 00-10992
through 00-10995
(Jointly Administered)
SECTION "B"
CHAPTER 11
ADVERSARY NO. 01-1155

MORNING SESSION

Transcript of the proceedings taken in the above-
captioned matter on Monday, October 22, 2001, the Honorable
Jerry A. Brown, United States Bankruptcy Judge, presiding.

AUDIO OPERATOR: Demond Smith

TRANSCRIPTIONIST: Dorothy Bourgeois

Proceedings recorded by electronic sound recording,
transcript produced by transcription service.

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DIRECT EXAMINATION BY MR. FINCH. 58

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Nos. 500 Quarterly Reports
thru 532B

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Nos. 777 Databases
and 787

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Opening Statements

1 And, we will have a financial analyst briefly
2 describe to Your Honor why we believe that is the proper
3 measure of the assets, rather than what might be stated on the
4 books or the book value of the assets, which do not
5 necessarily reflect their fair value as of the time in
6 question.

7 Now, to assess the amount of the asbestos
8 liabilities, we will present two witnesses. We'll present
9 David McKnight, who has been subpoenaed to appear here this
10 morning; and Dr. Mark Peterson. Mr. McKnight is a fact
11 witness; Dr. Peterson is an expert witness.

12 What the Court will learn is that Mr. McKnight has
13 spent his entire career evaluating, resolving and settling and
14 defending personal injury corp claims, working first for
15 The Travelers Company -- and it's a large insurance company,
16 which was Babcock & Wilcox's primary carrier -- and then,
17 after The Travelers primary insurance ran out, for a company
18 created and titled Worldwide Services, created for the purpose
19 of administering, resolving, investigating and settling the
20 personal injury claims against Babcock & Wilcox.

21 When he worked at The Travelers, he first worked on
22 claims filed against the Manville Corporation, until
23 Manville went into Chapter 11 in 1982, and since that time
24 his principal job has been to review, resolve and deal with
25 the asbestos personal injury claims that have been brought

Opening Statements

1 against Babcock & Wilcox. And, he did that continuously fr
2 that time until the company went into Chapter 11, in 2000.

3 He will be able to describe to the Court what the
4 nature of Babcock & Wilcox's exposure to claims was; how
5 Babcock & Wilcox, working with its insurers, developed the
6 strategy to deal with those claims, alternative strategies
7 that they considered, and how, from time to time, the
8 management of Babcock & Wilcox and the insurers reviewed the
9 implementation of that strategy by Mr. McKnight, and the
10 lawyers and risk managers involved.

11 Simply stated, you will hear that that strategy was
12 one of determining, when claims were filed, whether they met
13 the requisites for a plaintiff in the tort system to withst
14 a Motion for Summary Judgment.

15 The strategy, as it was designed, was not to engage
16 in litigation and accept the cost of litigation, the risks of
17 litigation defeats, and the risks of discovery in litigation,
18 which could well -- as it has with other asbestos companies --
19 raise the risks of punitive damage claims, but, rather, to
20 negotiate with lawyers throughout the country -- a methodology
21 by which Babcock & Wilcox would not be sued.

22 Claims would be submitted that satisfied Babcock &
23 Wilcox's criteria of demonstrating an asbestos-related injury,
24 diagnosed by a doctor, and exposure to asbestos at a site with
25 Babcock & Wilcox product there, making the nexus between the